

**FINAL**

**Downtown Long Beach  
Property-Based Business Improvement  
District  
Engineer's Report**



**Long Beach, California  
June 2012**

***Prepared by:***  
**Kristin Lowell Inc.**

*Prepared pursuant to the State of California  
Property and Business Improvement District Law of 1994  
And Article XIID of the California Constitution  
to create a property-based business improvement district*

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### **Attachments**

**A: Farrand Research Intercept Survey**

**B: Assessment Roll, a separate document**

This Report is prepared pursuant to Section 36600 et seq. of the California Streets and Highways Code (the "Property and Business Improvement District Law of 1994" as amended) (herein after "State Law") and pursuant to the provisions of Article XIID of the California Constitution (Proposition 218).

The Downtown Long Beach Property-Based Business Improvement District ("PBID") will provide services either currently not provided or are above and beyond what the City of Long Beach provides. These services will specially benefit each individual assessable parcel in the PBID. Every individual assessed parcel within the PBID receives various levels of special benefit from the programs identified under Section B of this Report. Only those individual assessed parcels within the PBID receive the special benefit of these proposed activities; parcels contiguous to and outside the PBID and the public at large may receive a de minimis general benefit, as outlined in Section E. The cost to provide general benefits, if any, will be funded from sources other than assessments.

The duration of the proposed PBID is ten (10) years, commencing January 1, 2013. An estimated budget for the PBID improvements and activities is set forth in Section D. Assessments will be subject to an annual increase of up to 5% per year as determined by the Owners' Association and approved by the City Council but must stay between 0 and 5% in any given year. Funding for the PBID improvements and activities shall be derived from a property-based assessment of each specially benefitted parcel in the PBID. A detailed description of the methodology for determining the proportional special benefit each individual assessable parcel receives from the service and the assessment for each parcel is set forth in Section E.

Respectfully submitted,

Terrance E. Lowell, P.E.



## ENGINEER'S STATEMENT JUDICIAL REVIEW

### SECTION A: LEGISLATIVE AND

#### **Property and Business Improvement District Law of 1994**

The State Law is the legislation that authorizes the City to levy assessments upon the real property for the purposes of providing improvements and activities that specially benefit each individual assessed parcel in the PBID. The purpose of the PBID is to encourage commerce, investment, business activities and improve the quality of life for its residents. In order to meet these goals, PBIDs typically fund activities and improvements, such as, enhanced safety and cleaning, marketing and economic development. Unlike other assessment districts which fund the construction of public capital improvements or maintenance thereof, PBIDs provide activities and improvements "to promote the economic revitalization and physical maintenance of the business districts of its cities in order to create jobs, attract new businesses, and prevent the erosion of the business districts." (Streets and Highways Code Section 36601(b)). The improvements and activities funded through the PBID are over and above those already provided by the City within the PBID's boundaries. Each of the PBID activities or improvements is intended to increase building occupancy and lease rates, to encourage new business development, attract residential serving businesses and services, and improve the quality of life for its residents.

Specifically, the State Law defines "Improvements" and "Activities" as follows:

*"Improvement" means the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years..."<sup>1</sup>*

*"Activities" means, but is not limited to, all of the following:*

- (a) Promotion of public events which benefit businesses or real property in the district.*
- (b) Furnishing of music in any public place within the district.*
- (c) Promotion of tourism within the district.*
- (d) Marketing and economic development, including retail retention and recruitment.*
- (e) Providing security, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality.*
- (f) Activities which benefit businesses and real property located in the district."<sup>2</sup>*

Under State Law, parcels that are zoned solely residential or agricultural are presumed to receive no benefit from a PBID.

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<sup>1</sup> California Streets and Highways Code, Section 36610.

<sup>2</sup> California Streets and Highways Code, Section 36613.

### **Article XIID of the State Constitution**

In 1996, California voters approved Proposition 218, codified in part as Article XIID of the State Constitution. Among other requirements, Article XIID changes the way local agencies enact local taxes and levy assessments on real property. It states, in relevant part, that:

*(a) An agency which proposes to levy an assessment shall identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed. The proportionate special benefit derived by each identified parcel shall be determined in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the property related service being provided. No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and an agency shall separate the general benefits from the special benefits conferred on a parcel. Parcels within a district that are owned or used by any agency, the State of California or the United States shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit.*

*(b) All assessments shall be supported by a detailed engineer's report prepared by a registered professional engineer certified by the State of California<sup>3</sup>.*

*"Special benefit" means a particular and distinct benefit over and above general benefits conferred on real property located in the district or to the public at large. General enhancement of property value does not constitute "special benefit."<sup>4</sup>*

### **Judicial Guidance**

Since the enactment of Article XIID, courts have been asked to render opinions regarding various aspects of Article XIID. The notable portions of cases that apply to assessment districts in general and this PBID in particular are noted below.

*"The engineer's report describes the services to be provided by the PBID; (1) security, (2) streetscape maintenance (e.g., street sweeping, gutter cleaning, graffiti removal), and (3) marketing, promotion, and special events. They are all services over and above those already provided by the City within the boundaries of the PBID. And they are*

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<sup>3</sup> Section 4, Article XIID of the State Constitution.

<sup>4</sup> Section 2 (i), Article XIID of the State Constitution.

*particular and distinct benefits to be provided only to the properties with the PBID, not to the public at large—they “affect the assessed property in a way that is particular and distinct from {their} effect on other parcels and that real property in general and the public at large do not share.”<sup>5</sup>*

*“...separating the general from the special benefits of a public improvement project and estimating the quantity of each in relation to the other is essential if an assessment is to be limited to the special benefits.”<sup>6</sup>*

*“...the agency must determine or approximate the percentage of the total benefit conferred by the service or improvement that will be enjoyed by the general public and deduct that percentage of the total cost of the service or improvement from the special assessment levied against the specially benefitted property owners.”<sup>7</sup>*

*“...even minimal general benefits must be separated from special benefits and quantified so that the percentage of the cost of services and improvements representing general benefits, however slight, can be deducted from the amount of the cost assessed against specially benefitting properties.”<sup>8</sup>*

It is noted that this Engineer's Report is prepared in compliance with the above noted authorizing legislation, the State Constitution and the judicial opinions.

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<sup>5</sup> *Dahms v. Downtown Pomona Property and Business Improvement District*, (2009) 174 Cal. App. 4<sup>th</sup> 708.

<sup>6</sup> *Beutz v. County of Riverside*, (2010) 184 Cal. App. 4<sup>th</sup> 1532.

<sup>7</sup> *Golden Hill Neighborhood Association, Inc. v. City of San Diego*, (2011) 199 Cal. App. 4<sup>th</sup> 416.

<sup>8</sup> *Golden Hill Neighborhood Association, Inc. v. City of San Diego*, (2011) 199 Cal. App. 4<sup>th</sup> 416.

## SECTION B: IMPROVEMENTS AND ACTIVITIES

The Downtown Long Beach Property-Based Business Improvement District (PBID) is a special benefit assessment district formed in accordance with the Act in 1998 and renewed in 2003 that conveys special benefits to each individual assessed parcel located within the district boundaries. Downtown property owners now want to continue the PBID for an additional ten-year term. As described in the Downtown Long Beach Property-Based Business Improvement District (PBID) Management Plan, it is proposed that the PBID will continue to provide funding for enhanced maintenance, public safety, beautification, marketing and economic development programs, above and beyond those provided by the City of Long Beach.

PBID services are above and beyond those provided by the City of Long Beach. The City of Long Beach has provided an accounting of baseline services that are currently provided within the District and will continue through the duration of the planned renewal. *The City base level of service agreement is attached as an Exhibit to the Management Plan.*

### ENVIRONMENT ACTIVITIES

PBID "Environment" activities and improvements are intended to improve commerce and the quality of life by making each individual assessed parcel safer, cleaner and more attractive which will encourage investment dollars downtown and generate additional pedestrian traffic. Environment activities specially benefit each individual assessed parcel, including commercial, government, parking structures, non-profits and residential. The special benefit to each individual assessed parcel from these activities is that a safer and cleaner environment will increase commercial activity, which directly relates to increase in lease rates and customer usage, and a safer and cleaner environment for its residents.

A study published in *The Economic Journal* on the impacts 30 Los Angeles (Property) Business Improvement Districts (BID) have on public safety indicates that for every "additional \$10,000 spent by BIDs on private security it reduces the average number of crimes per neighborhood by 3.37...and 1.65 fewer arrests. Crime specific results indicate that most of the reduction in arrests is for robbery and assault ... BIDs clearly pass a cost-benefit test".<sup>9</sup>

#### **Clean and Safe Program**

Downtown's clean and safe program was developed following the creation of the PBID in 1998. Objectives in managing the program include:

- Deploy a Clean and Safe program that will make a visible, tangible and lasting impact.
- Document existing City services and ensure that PBID-funded services are supplemental to, and do not replace, existing City services.

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<sup>9</sup> Cook, Philip, and John MacDonald. 2011. "Public Safety through Private Action: An Economic Assessment of BIDs." *The Economic Journal*, 121 (May) 445-462.

- Ensure that the program is properly capitalized and that additional funding will not be required once the PBID is created.
- Provide flexibility in the modeling of the program so that the PBID can either create its own in-house program or contract with private firms.

To meet these objectives, uniformed **Clean Teams** have been deployed throughout downtown to remove litter and graffiti, steam clean sidewalks and maintain furniture in public places. **Safety Guides** provide an emphasis on public safety and have been effective at deterring nuisance crimes, providing hospitality services to downtown tenants, visitors and residents and connecting the district's homeless population to available resources. Recent yearly achievements of PBID funded Clean Team and Safety Guide crews include:

- Pressure washing of more than 36 million square feet of sidewalks
- Removal of 8,136 graffiti tags and stickers
- Nearly 192 tons (384,000 pounds) of trash were collected
- Nearly 6,000 pounds of weeds were removed
- Safety Guides made more than 115,000 business contacts
- Safety Guides provided 9,287 citizen assists, gave directions to 10,467 individuals and information to 6,223 persons
- Safety Guides had service contacts with 738 homeless individuals

Continuation of the PBID will allow the Clean Team and Safety Guide crews to build upon these achievements and keep Downtown Long Beach and each individual assessed parcel clean and safe. The proposed PBID continuation work program anticipates ongoing deployment at the following frequencies:

<b>Clean Team</b>	
<i>Hours of Deployment per Week</i>	992
Weekly F.T.E.	24.8
Average Weekly Coverage	7 days/week
Litter Removal/Pan & Broom	Daily with peak night service in the Premium Area
Machine Sweeping	Daily All Downtown - Higher Frequency in Premium Area
Steam Cleaning: Standard	Once Every 4 to 6 Weeks
Steam Cleaning: Premium	Weekly
Graffiti Removal	Daily As Needed
Light Landscape/Weeds	As Needed
Emergency cleaning	As Needed
Maintenance of PBID funded beautification elements	As Needed
<b>Safety Guides</b>	
<i>Hours of Deployment per Week</i>	664
Weekly FTE	16.6
Coverage in All Areas	12 to 16 hours
Coverage in Premium Areas	12 to 16 hours plus late

	night on weekends
Foot Patrol	Premium Area Only
Bike & Segway Patrols	Daily All Downtown
Visitor Services, Safety Escorts, Motorist Assist, Homeless Outreach	Daily All Downtown

**Deployment of Clean and Safe Services:** Clean and safe services are deployed in each of two "benefit zones" within the PBID:

- **Premium Service Zone:** The Premium service zone includes areas of highest pedestrian activity where demands for clean and safe services are greatest. This area includes the most significant activity generators within the boundaries of the district, including City Place retail center and the Pine Avenue, Promenade and Long Beach Boulevard corridors, the 1<sup>st</sup> Street corridor in the East Village, and the transit facilities along 1<sup>st</sup> Street. These activities create the conditions requiring a greater amount of clean and safe services, such as dirty sidewalks, the presence of graffiti and the need to provide safety guide assistance. The Management Plan anticipates that service deployment frequencies within the Premium service zone will be three times more than the remainder of the PBID - from the number and type of safety guides to the frequency of sidewalk cleaning. Under the current PBID deployment plan, Safety Guides patrol each block of the Premium Zone between 25 and 40 times per day.
- **Standard Service Zone:** The remaining areas of the PBID encompassed by the Standard service zone have less pedestrian activity and demands for clean and safe services are generally lower. The standard areas have lower intensity activity generators, including less ground floor retail and a higher concentration of office and residential uses. Accordingly, the lower level of pedestrian activity results in reduced need for clean and safe services. Service frequencies within the Standard service zone are less than the frequency of services in the Premium service zone. Under the current PBID deployment plan, Safety Guides patrol each block of the Standard Zone between 8 and 12 times per day, about one third of the frequencies delivered in the Premium service zone.

**Options for Enhanced Security:** The PBID renewal process has evidenced continued property owner concern with both the reality and perception of public safety on downtown streets. There are a variety of elements contributing to this concern, including ongoing challenges with transient and homeless populations, nuisance crimes ranging from aggressive panhandling to vandalism, and other quality of life issues.

In order to more effectively deploy PBID resources to improve enhanced security, funds for information and safety ambassadors may be redistributed to related activities that have been effective in other California PBIDs, including:

- A “navigator program” in which ambassadors would be tasked with a case management approach to match chronic homeless individuals with available social services (Sacramento, Santa Monica).
- Other quality of life and safety initiatives in partnership with local agencies that may be developed and recommended by the DLBA Public Safety Task Force.

**Resident Coordinator:** Also within the budget for the Clean and Safe program is a new Resident Coordinator to help downtown’s residential population utilize Clean and Safe services. The Resident Coordinator will provide information, regularly meet with HOAs and resident associations, represent resident perspectives, and trouble-shoot resident issues related to the PBID’s Environmental services that include cleaning, safety and beautification.

### **Beautification Program**

In addition to the general cleaning and safety programs for the purposes of improving commerce to each individual assessed parcel, the PBID may also provide highly visible improvements that will add to the attractiveness of public spaces; such as cosmetic improvements to the landscape and streetscape on the public rights-of-way throughout the District. While downtown Long Beach has been well maintained, the beautification needs continued refreshing and updating. These improvements may include but not necessarily be limited to:

- Seasonal banners and decorations
- Public art
- Street furniture and amenities
- Feasibility analyses and plans for design, streetscape and other physical improvements
- Other activities and improvements that visibly enhance the Downtown environment

Annual recommendations regarding the allocation of beautification funds are determined by the Capital Improvements and Beautification Task Force that provides recommendations to the DLBA board of directors.

## **ECONOMY ACTIVITIES**

Activities aimed at working with property owners to improve Downtown's overall image, increased sales and building occupancies are part of the PBID Management Plan. These services are intended to provide special benefits to each individually assessed parcel.

**Marketing & Special Events:** Marketing and special event activities will aim to improve the overall image of Downtown with the goal of attracting consumers and visitors, and attracting and retaining businesses, jobs and investment. Initiatives must be designed to provide collective benefits to each individual assessed parcel. While annual work programs and budgets will be developed by the Marketing and Special Events Task Force and approved by the Downtown Long Beach Associates board of directors, programs will be selected from a variety of options that may include the following:

- Advertising, including branding and cooperative campaigns and increased placement and frequency in print media.
- Increased distribution and enhanced quality of publications, including downtown maps, directories and activity guides.
- Improved and increased special event and festival production.
- Public relations efforts to promote a positive image and overall experience.

**Economic Development:** These programs will provide a primary one-stop point of contact for business prospects looking to locate and/or grow in downtown. Comprehensive market information on downtown will be researched, packaged and maintained. Specialized research will identify specific target business groups and niches that are most likely to locate within downtown and benefit from local assets. DLBA staff will serve as a liaison to assist business and property owners in permitting and development review processes. Program staff will work collaboratively with real estate professionals, City staff, and regional economic development groups to coordinate and leverage business attraction efforts.

Responding to the top priority evidenced by downtown stakeholders in the PBID renewal process, the economic development initiative will initially focus on activating storefronts throughout the downtown, including the recruitment of retail stores, temporary or "pop-up" installations, public art and other methods. Initiatives launched by the 2010 Retail Visioning process will also be continued, including but not limited to:

- "Shop Local" campaigns that aims to inform and match residents and employees to downtown retail;

- Traditional and emerging business recruitment programs and activities; and,
- Efforts to welcome new businesses to downtown.

ACTIVITY	Standard Zone	Premium Zone
<b>ENVIRONMENT</b> (all properties)		
<b>Clean Team</b>		
Sidewalk Sweeping	Daily	Daily & Peak Evenings
Power Washing Sidewalks	Once every 4 to 6 weeks	Weekly
Graffiti Removal & Emergency Spot Cleaning	As Needed	As Needed
<b>Safety Guides</b>		
Foot Patrols	No	Yes
Bicycle & Segway Patrols	Yes	Yes
Escort & Visitor Services	Yes	Yes
<b>Beautification</b>	Yes	Yes
<b>ECONOMY</b> (commercial & government only)		
Marketing & Special Events	Yes	Yes
Economic Development	Yes	Yes

## COMMUNICATIONS, ADMINISTRATION & RESERVES

Communication and administrative costs have been included within the PBID budget. Examples of communication and administrative costs include:

- Accounting and annual financial reports,
- Program support costs including supplies, equipment and rent,
- Communications to keep all downtown stakeholders informed of policies, issues, challenges and opportunities,
- A delinquency reserve estimated at 3% of assessments,
- A general benefit reserve estimated at 0.89% of the budget, to be paid with non-assessment revenue. The general benefit reserve is established to address that the PBID may provide de minimus general benefit (i.e. general benefit to the public and/or surrounding community), requiring 0.89% of the budget to be financed by non-assessment revenue, and
- Other administration costs associated with the overhead and administrative support of programs.

To reduce administrative costs, increase leveraging of funds, and to avoid duplication of enhanced services, the PBID will continue to be managed by the Downtown Long Beach Associates to deliver day-to-day services. DLBA can leverage PBID assessments with additional revenues, including business license BID fees, sponsorship revenue, contracts, grants and earned income.

## SECTION C: PBID BOUNDARY

The PBID will encompass approximately 70 blocks of the core of the Downtown area bounded roughly by:

- Shoreline Drive to the south, including the Pine Avenue Circle
- Golden Shore to the west and
- Alamitos Avenue to the east.
- To the north, 3<sup>rd</sup> Street in the western part of the PBID, 8<sup>th</sup> Street in the central part and 4<sup>th</sup> Street in the eastern part.

In general the boundary includes approximately 60 “whole blocks”, the remainder includes portions of blocks. The properties within whole blocks have all their street frontages included in the activities, i.e., all four street frontages. The properties within a portion of a block have only the street frontage of the property included in the PBID boundary that receives the PBID activities. All properties within the boundary are included; there are no excluded parcels within the boundary.

### **Benefit Zones**

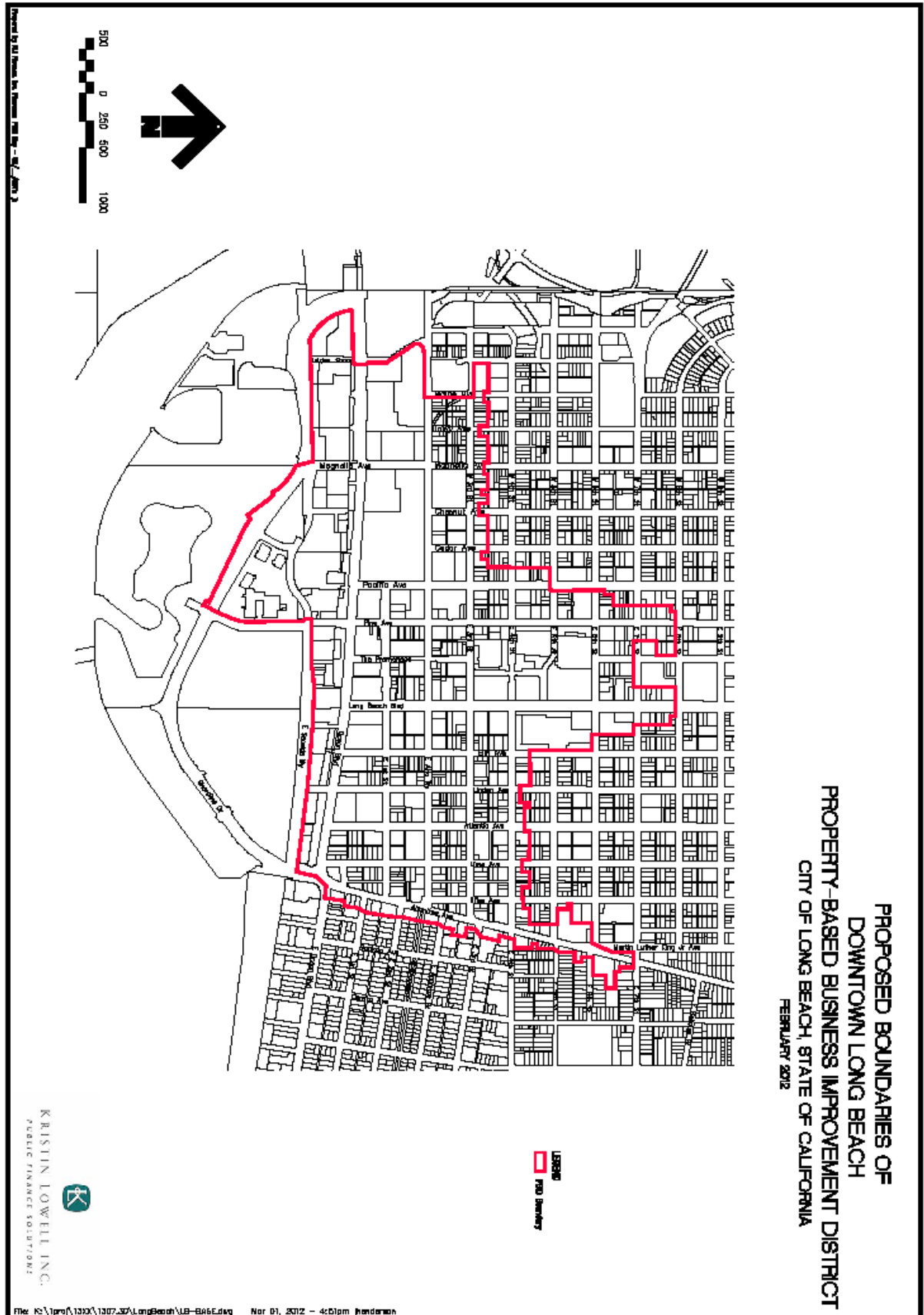
Two benefit zones are proposed with two different levels of service. The deployment and frequency of clean and safe services in the premium zone will be greater than the deployment and frequency of clean and safe services in the standard zone. The benefit zones are delineated as follows:

**Premium Service Zone** includes most blocks in the central portion of the PBID bounded by Long Beach Boulevard to the east, 6<sup>th</sup> Street to the north, Pine and Pacific Avenues to the west and Ocean Boulevard to the south.

**Standard Service Zone** includes much of the western portion of the PBID bounded roughly by Pacific Avenue, 3<sup>rd</sup> Street, Golden Shore, Shoreline Drive and Ocean Boulevard. To the east, the standard zone is roughly bounded by Elm Avenue, 4<sup>th</sup> Street, Alamitos Avenue and Ocean Boulevard.

*A map of the proposed district boundary is provided on the next page.*





## SECTION D: COST ESTIMATE

### 2013 Operating Budget

The following table outlines the PBID maximum assessment operating budget for calendar year 2013. The cost allocated to each of these services is in direct relationship to the special benefit each parcel receives from the PBID activities.

REVENUES	Assessments	Other	Total
Assessment Revenues	\$2,248,416		\$2,248,416
Other Revenue, 1.0% (1)		\$22,485	\$22,485
<b>TOTAL REVENUES</b>			<b>\$2,270,901</b>
EXPENDITURES			
<b>Environment</b>			
Clean Teams	\$763,967	\$7,640	\$771,607
Downtown Safety Guides	\$580,339	\$5,804	\$586,143
Beautification	\$96,704	\$967	\$97,671
<b>Total Environment</b>	<b>\$1,441,010</b>	<b>\$14,411</b>	<b>\$1,455,421</b>
<b>Economy</b>			
Economic Development	\$265,762	\$2,658	\$268,420
Marketing & Events	\$299,714	\$2,997	\$302,711
<b>Total Economy</b>	<b>\$565,476</b>	<b>\$5,655</b>	<b>\$571,131</b>
<b>Administration &amp; Reserve</b>			
Administration & Communication	\$174,478	\$1,745	\$176,223
Delinquency Reserve (3%)	\$67,452	\$675	\$68,127
<b>Total Admin &amp; Reserve</b>	<b>\$241,930</b>	<b>\$2,419</b>	<b>\$244,349</b>
<b>TOTAL EXPENDITURES</b>	<b>\$2,248,416</b>	<b>\$22,485</b>	<b>\$2,270,901</b>

(1) Other non-assessment funding to cover the cost associated with general benefit.

### Budget Notations

Total program revenue increases by no more than 5% per year, the maximum allowed under the proposed annual budget adjustment to keep pace with increases in the consumer price index and other program costs. Actual budgets may not increase 5% as determined by the DLBA Board of Directors, which is the PBID Owner's Association and formally approved by the Long Beach City Council.

## **SECTION E: SPECIAL and GENERAL BENEFITS**

State Law, Proposition 218, and judicial opinions require that assessments be levied according to the estimated special benefit each assessed parcel receives from the activities and improvements. Article XIID Section 4(a) of the California Constitution in part states “only special benefits are assessable” which requires that we separate the general benefits, if any, from the special benefits provided by the proposed activities and improvements. Further clarification from the Golden Hill judicial opinion states that “even *minimal* general benefits must be separated from special benefits and quantified so that the percentage of the cost of services and improvements representing general benefits, however slight, can be deducted from the amount of the cost assessed against specially benefitting properties”. A special benefit as defined in Article XIID means a particular and distinct benefit over and above general benefits conferred on real property located in the PBID or to the public at large.

The special benefit to parcels from the proposed PBID activities and improvements described in this Report is equal to or exceeds the total amount of the proposed assessment. Each individual assessed parcel's assessment is no greater than the special benefit it receives from the PBID services. The quantitative analysis of determining the special and general benefit is provided below.

### ***Special Benefit***

All of the PBID activities are to supplement and not replace or duplicate any City provided services. All benefits derived from the assessments outlined in this Report are for property related activities directly benefiting each individual assessed parcel in the PBID. The special benefit must affect the individual assessable parcel in a way that is particular and distinct from its effect on other parcels and that real property in general and the public at large do not share.

The PBID's purpose is to fund activities and improvements to provide a cleaner, safer, and more beautiful environment and to perform the business development services as outlined in Section B with the goal of increasing pedestrian traffic and filling vacant storefronts, office space and residential properties. By presenting a more attractive, safer and vibrant destination, pedestrian traffic will increase.

Pedestrian traffic encourages business development and livability, therefore, we need to quantify the number of people that engage in commerce and/or reside in the PBID. The Downtown Long Beach Association contracted with Farrand Research to conduct intercept surveys within the PBID boundary to determine to what degree respondents engage in any type of commercial activity (going to a restaurant or movie, shopping, visiting a professional or service oriented business, attending a festival or special event or staying overnight), and/or live within the geographical boundary of the PBID. The survey included 673 participants, with a margin of error of 3.8%, and was conducted from April 19-21, 2012 at separate locations within the PBID with all efforts made to include an unbiased cross section of participants.

Of the 673 respondents, 99% of the respondents indicated that they will and intend to engage in at least one of the activities asked in the survey (going to a restaurant or movie, shopping, visiting a professional or service oriented business, attending a festival or special event or staying overnight) within the PBID boundary as opposed to "just passing through" the PBID with no business purpose. The survey also found that of the 673 respondents 100% indicated that at least one of the PBID enhanced services contributed to their decision to come downtown and engage in commerce. The final survey results are attached as Attachment A to this report.

Based on the results of the survey for both the Premium Zone and Standard Zone, we concluded that each of the proposed PBID services and activities provides special benefits to the real property within the PBID. Article XIIID Section 4(a) of the state Constitution states "An agency which proposes to levy an assessment shall identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed". Below is an analysis of how each individual assessed parcel benefits from the PBID activities.

**Commercial Parcels:** All commercial parcels will specially benefit to the same degree from all the PBID activities regardless of their commercial use. The Environment Services (clean and safe) will make each of the commercial parcels cleaner and safer. Specifically, each commercial parcel specially benefits from PBID activities, such as: increased security patrol<sup>10</sup>, removing graffiti from their buildings, connecting the homeless to available resources, picking up trash that pedestrians leave behind, weeding and power-washing their sidewalks, beautifying the public rights of way.

The Economy Services (marketing, special events and economic development) will specially benefit each commercial parcel by encouraging business development and investment which generates customer traffic which directly relates to increases in commercial activity, filling of vacant storefronts and offices and then ultimately, increased lease rates for retail and office space and cars parking in the paid parking structures and lots. All commercial parcels will be assessed based on their proportional share of the special benefits received from the PBID activities.

**Residential and Non-Profit Parcels:** All residential and non-profit parcels receive the same level of service and special benefit from Environment Services (i.e. clean and safe) as all other parcels in the PBID by making each of these parcels cleaner and safer. Specifically, these parcels specially benefit from PBID activities, such as: removing graffiti from their buildings, patrolling their sidewalks, connecting the homeless to available resources, cleaning up any debris or broken glass on their sidewalks, weeding and power-washing their sidewalks, and beautifying the public rights of way. Thus, each of these parcels is assessed for the special benefits received from the Environment services. However, these parcels will not receive special benefit from Economy Services (i.e. marketing, special events and economic

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10 The study published in the Economic Journal, cited previously in footnote 9, indicates that 30 Los Angeles BIDs that provide security services resulted in crime reduction within those districts.

development) because those uses are not engaged in commercial or customer attraction activities, and will not specially benefit from the increased economic activities. Therefore, they will not be assessed for the Economy Services. However, parcels that are mixed use (commercial and residential) will be assessed accordingly based on each parcel's pro-rata share of commercial and residential square footage to account for the varying levels of special benefit each land use type receives from the PBID activities.

**Publicly Owned Parcels:** The PBID includes publicly owned parcels. All publicly-owned parcels will pay their proportional share of costs based on the special benefits conferred to those individual parcels. Article XIID of the State Constitution contemplates payment of assessments by governmental entities. Section 4(a) of Article XIID states in relevant part that "Parcels within a district that are owned or used by any agency... shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit."

Publicly owned properties, similar to commercial properties, benefit from both Environment and Economy services. Government properties attract a variety of user groups for both government business and civic uses. Similar to commercial office properties, both user groups and employees within government properties benefit from Environment services that provide a cleaner and safer downtown. Specifically, these parcels specially benefit from Environment activities, such as, removing graffiti from their buildings, patrolling their sidewalks, connecting the homeless to available resources, cleaning up any debris or trash and power-washing their sidewalks and beautifying the public rights-of-way. Publicly owned parcels also benefit from the Economy services which create a more vital civic atmosphere. Specifically these parcels specially benefit from these activities, such as, business development and marketing that aim to increase pedestrian traffic which engages in civic activities.

### **General Benefit**

As required by the State Constitution, the general benefits of an assessment district must be quantified and separated out so that the cost of the activities that are attributed to general benefit are deducted from the cost assessed against each specially benefitted parcel. General benefits are benefits from the PBID activities and improvements that are not special in nature, are not "particular and distinct" and are not over and above the benefits that other parcels receive. This analysis will evaluate and determine the general benefits that (1) parcels outside of PBID receive, and (2) the public at large receive.

### **General Benefit to Parcels Outside of PBID**

All the PBID activities and improvements are provided to each of the individual assessed parcels in the PBID boundary. No PBID activities will be provided to any parcel outside of the PBID boundary. However, it is conceivable to conclude that some parcels outside of the PBID boundary may receive some spillover benefit from the Safety activity as well as the Economic Development activities.

In the case of the PBID, the parcels considered outside of the PBID's boundary that may receive a general benefit are those parcels that are immediately adjacent to or immediately across the street from where the PBID services are delivered. If a parcel is at least a parcel away or does not directly front where the PBID services are delivered, then it is not included in this analysis due to the fact that it is not in close proximity to the PBID services and will not receive spill over benefit. Based on these criteria there are approximately 25 commercial/government parcels and 196 non-commercial parcels outside of the PBID boundary that may receive spill-over benefit which we believe to be a nominal benefit from the Safety and Economic Development activities. In order to calculate the benefit these parcels may receive, the percentage of the budget for these activities that may be attributed to parcels outside of the PBID must be determined. The following table illustrates this calculation.

<b><u>Benefit Factor Calculation:</u></b>	<b><u>Budget</u></b>	<b><u>Percent of Total</u></b>	<b><u>x</u></b>	<b><u>Relative Benefit *</u></b>	<b><u>=</u></b>	<b><u>Benefit Factor</u></b>
Budget for Safety:	\$580,339	25.81%		0.25		0.06
Budget for Economic Development:	<u>\$265,762</u>	11.82%		0.25		0.03
TOTAL PBID Assessment Budget:	\$2,248,416					

*\* For purposes of this analysis, we used a conservative 25% relative benefit factor to account for parcels outside the PBID that may receive a nominal benefit from the PBID services.*

To calculate the Benefit Factor, multiply the Percent of Total by the Relative Benefit. The commercial/government parcels outside of the PBID boundary are assigned a total benefit factor of 0.09 (0.06 + 0.03) to account for the fact that they may benefit from both the Safety and Economic Development activities that may encourage commerce not only within the PBID boundary but immediately adjacent to it. The non-commercial parcels outside of the PBID boundary are assigned a benefit factor of 0.06 to account for the fact that they may nominally benefit from the Safety activities. In comparison, there are 3,786 parcels within the PBID boundary, all of which receive a benefit factor of 1.0 acknowledging that they receive 100% special benefit from the PBID activities.

To calculate the general benefit percentage, the respective benefit factors must be applied to the number of parcels both within the PBID boundary and those that are outside of the PBID boundary. The table below shows the calculation for the general benefit percentage.

	No. of Parcels	Benefit Factor	Total Benefit Units
No. of Parcels in PBID:	3,786	1.00	3,786.00
No. of Comm./Govt. parcels outside of PBID boundary	25	0.09	2.35
No. of Non-Commercial parcels outside of PBID boundary	196	0.06	12.65
Total number of parcels	4,007		3,801.00

**General Benefit to parcels outside of PBID boundary**

**0.39%**  
 $(2.35+12.65)/3,801.00$

### **General Benefit to the Public At Large**

In addition to the general benefit to the parcels outside of the PBID boundary, there may be general benefits to the public at large, those people that are either in the PBID boundary and not specially benefitted from the activities or people outside of the PBID boundary that may benefit from the PBID activities. In the case of the PBID the public at large are those people that are within the PBID boundary that do not pay an assessment and do not specially benefit from the PBID activities. To quantify this, a determination is made of how many people are in the PBID boundary regardless of the PBID activities or that the PBID activities do not influence their decision to be downtown.

Referencing back to the Farrand Research survey, there was a series of four questions posed to the respondents to measure how important the PBID activities are in their decision to be in the PBID boundary. Of the 673 respondents, none of them indicated "Not at all Important" to all four questions relating to the PBID activities. What this indicates is that at least one of the PBID activities was important to every one of the respondents to be in the PBID whether they are in the Premium Zone or the Standard Zone. However, with the 3.8% margin of error in the survey we believe it is conceivable there may be a nominal general benefit attributed to the public at large. Incorporating the 3.8% margin of error into the 673 responses equals 0.01% (3.8% divided by 673 responses) general benefit. However, for the purposes of this analysis, we will apply a conservative 0.5% general benefit to factor in the benefit received by the public at large.

### **Total General Benefits**

Using the sum of the two (2) measures of general benefit described above, we find that approximately 0.89% of the benefits conferred by the PBID activities may be general in nature and should be funded from sources other than special assessments. However, to be conservative the PBID operating budget will assume a 1.0% general benefit to be funded from sources other than assessments.

## **SECTION F: PROPORTIONAL SPECIAL BENEFITS**

### ***Methodology***

Determining the proportionate special benefit among the parcels of real property within the proposed assessment district which benefit from the proposed Improvements is the result of a four-step process:

1. Defining the proposed activities
2. Defining how each parcel specially benefits from the proposed activities.
3. Determining the amount of special benefit each parcel receives,
4. Determining the proportional special benefit a parcel receives in relation to the amount of special benefit all other parcels in the District receive

The proportional special assessment derived by each individual assessed parcel shall be determined in relationship to the entirety of the capital cost of an improvement or the maintenance and operation expenses of an improvement or for the cost of the parcel related service being provided. Due to the proportionate special benefits received by these parcels from the District services, these parcels will be assessed a rate which is proportionate to the amount of special benefits received.

### ***Special Benefit Factors***

Each of the PBID activities is designed to meet the goals of the District; to improve the cleanliness, safety and appearance of each individual assessed parcel and the public areas immediately adjacent to their parcel within the District, and in turn, increase building occupancy and lease rates, encourage new business development, and attract residential serving businesses and services and improve the quality of life for its residents. All parcels within the PBID receive special benefit to varying degrees from the PBID activities, as previously discussed. A determination of how much each individual assessed parcel specially benefits from these activities is related to each parcel's linear street frontage, lot and gross building square footage. For the District activities, the best measure of proportional special benefit for an individual parcel is determined by a ratio of the parcel's assessable square footage to the total assessable square footage of all parcels in the District boundary, respective of each individual assessed parcel's benefit zone.

The way to measure proportional special benefit for an individual parcel is determined by a ratio of the parcel's linear street footage, lot and gross building square footage compared to the total linear street footage, lot and gross building square footage of all parcels in the District boundary.

**Linear Frontage:** Is a primary assessment variable in the Standard and Premium service areas. All Clean Team costs and one-half of the Safety Guide costs are allocated through linear frontage, acknowledging the benefit of these services is to make each individual assessed parcel's frontage cleaner and safer. All sides of the parcel's linear frontage receive special benefit from the clean and safe activities. Each side of the frontage is assessed based on each individual parcels benefit zone.

For example, a parcel on the corner of the Premium and Standard zone will be assessed for its frontage in the Premium Zone at the Premium Zone frontage assessment rate plus its frontage in the Standard Zone at the Standard Zone frontage assessment rate.

**Lot plus Gross Building Square Footage:** The sum of lot and gross building square footage is the assessment variable for one-half of the Safety Guide costs and the full costs of beautification, marketing and special events and economic development. Beautification activities are anticipated throughout the district and thus each individual assessed parcel's lot and gross building square footage will benefit from these improvements. The economy activities are designed to improve image, occupancy, sales and business retention and recruitment to each individual assessed parcel. Each of these parcel's lot and gross building square footage will specially benefit from the increased economic activity. One-half of Safety Guide costs are allocated to lot and gross building square footage acknowledging that each individual assessed parcel's square footage specially benefits from a safer environment for its employees, residents and visitors both on the street level and within buildings. The inclusion of lot square footage in the calculation acknowledges the greater benefits of these services to the ground level of each individual assessed parcel. The lot and gross building square footages are from the County of Los Angeles tax records.

### ***Property Use Considerations***

**Parking Facilities:** Not all parking facilities receive the same level of benefit from the PBID activities and will be assessed for the special benefits each parcel receives.

1. **Parking structures** that are completely integrated within a building, sharing the same owner and parcel as the building, primarily used for the private use of building residents/tenants/owners, not intended for commercial operation, and which do not specially benefit from the attraction of business or an increase in pedestrian traffic will not be assessed. The integrated parking within a building is intended only for internal building access. This type of private parking structure does not receive special benefits from the PBID services provided for the main building at the street level. Therefore, the portions of these buildings which consist of parking will be subtracted from the overall gross building square footage since the parking square footage does not benefit.
2. **Stand-Alone Parking Structures** with different ownership than the adjacent building will benefit from increased commerce. Non-integrated structured parking, with separate ownership, because of its commercial nature and diversity of users requires PBID services and receives more special benefits than parking that primarily serves a single building. However, they will not specially benefit from all of the

PBID activities to the same extent as other commercial businesses. These structures will fully benefit from the Environment Services by making each parcel cleaner, safer and more beautiful. However they will only benefit one-half from the Economy services as there are limitations on their ability to generate income and benefit from the increase in economic activity.

3. **Surface Parking Lots** will benefit from the increased commerce. The surface parking lots specially benefit from all the PBID activities by making each parcel cleaner, safer, more beautiful and increased economic activity. Therefore, these parcels will be assessed for the special benefits received to the linear frontage, lot and building square footage.

## SECTION G: APPORTIONMENT METHOD

As previously discussed in Section B the PBID activities are determined and segregated into the two benefit zones based upon each Zone's demand for service and benefits received. The table below summarizes the assessable footages for the linear street frontage, lot square footage and building square footage for each land use type within each benefit zone:

Benefit Zone and Land Use	Lot Sq.Ft.	Bldg Sq.Ft.	Linear Frontage
<b>Premium Zone</b>			
Commercial/Government	2,411,852	3,881,136	26,071
Residential/Non-Profit	421,423	1,147,035	3,629
Parking	486,657	1,465,348	3,307
<b>Standard Zone</b>			
Commercial/Government	6,283,835	6,214,453	45,554
Residential/Non-Profit	2,340,362	5,094,240	21,904
Parking	221,498	1,046,114	4,166

**Benefit Zone Assessments:** As previously discussed the District is segregated into two benefit zones based on frequency of service. The budget for each zone is then allocated to each individual assessed parcel based on the each parcel's lot square footage, building square footage and linear street frontage. However not all land uses benefit equally from the proposed PBID activities, as previously discussed. To account for this the following table is a summary of the assessment factors and which portion of the PBID activities is applicable to each respective assessment factor and land use classification. The resulting assessment calculation by PBID activity, assessment factor and benefit zone follows:

	Standard	Premium
Lot Frontage (100% clean + 50% safe to all properties)	\$9.692	\$15.655
Lot + Building Sq.Ft. (50% safe to all properties)	\$0.0094	\$0.0136
Lot + Building Sq.Ft. (100% beautification to all properties)	\$0.0036	\$0.0036
Lot + Building Sq.Ft. (100% economy to commercial and govt only)	\$0.0293	\$0.0293

**Total Estimated Assessments:** Based upon the above described methodology, land use characteristics and the proposed PBID budget, approximate linear frontage, lot and building assessments are calculated. Assessments will not exceed the following amounts during the first year of the PBID:

	Standard	Premium
Annual Assessment on Lot Frontage (all properties) per linear foot	\$ 9.692	\$ 15.655
Plus: Lot + Building Square Footage		
• Commercial & government properties	0.0423	0.0465
• Parking structures	0.0277	0.0318
• Residential and Non-Profits	0.0130	0.0172

**Calculation of Rates:** The following examples illustrate how the preceding rates are applied to parcels within the Downtown Long Beach PBID.

### **Commercial Property Example: Premium Zone**

Property Characteristics: <i>50,000 sq.ft. office building</i>		Rate	Annual Assessment
Lot Square Footage	15,000	\$0.0465	\$697.50
Building Square Footage	50,000	\$0.0465	\$2,325.00
Linear Frontage	100	\$15.655	\$1,565.50
<b>Total</b>			<b>\$4,588.00</b>

### **Residential Condo Property Example: Standard Zone**

Property Characteristics: <i>1,000 sq.ft. condo in building of 100,000 sq.ft with 40,000 lot sq.ft. and 400 feet of frontage</i>		Rate	Annual Assessment
Lot Square Footage <i>(pro rata share of 40,000 sq.ft. lot)</i>	$(1,000/100,000)$ $\times 40,000$	\$0.0130	\$5.20
Gross Building Square Footage (condo)	1,000	\$0.0130	\$13.00
Linear Frontage <i>(pro rata share of 400 feet)</i>	$(1,000/100,000)$ $\times 400$	\$9.692	\$38.77
<b>Total</b>			<b>\$56.97</b>

Each residential condominium will be assessed based upon its unit gross building square footage and a pro rata share of building lot square footage and frontage based upon the size of the condominium in relation to the gross square footage of the building.

For properties with frontage on both premium and standard zones, linear frontage will be allocated to each zone, and lot plus building square footage rates will apply to the zone fronting the address side of the building.

### **Annual Assessment Adjustments**

**Future Development:** As a result of continued development, the PBID may experience the addition or subtraction of assessable linear street frontage, lot and building square footage for parcels included and assessed within the PBID boundaries. The modification of parcel improvements assessed within the PBID may

then change upwards or downwards the amount of total footage assessment for these parcels.

## **SECTION H: ASSESSMENT ROLL**

The total assessment amount for 2013 is \$2,248,416 apportioned to each individual assessed parcel. For a complete listing of assessed parcels, please see Attachment B: Assessment Roll, attached as a separate document.